Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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| A B C D | **1.** | Which of the following statements is *true* about borrowing as a tool of fiscal policy?  A The government releases idle savings from the bank.  B The government borrows only in times of economic emergency.  C Governmental borrowing often has immediate opportunity benefits.  D Governmental borrowing increases a nation's long-term employment. |
| A B C D | **2.** | How does fiscal policy destroy a nation's future productivity?  A borrowing money that businesses need  B spending money that businesses want  C spending money that financial markets want  D taxing money that consumers need |
| A B C D | **3.** | What does the phrase *pump priming* mean?  A Governmental employees should pay Social Security taxes like everyone else.  B The government must choose the best time to increase spending, when the economy begins to improve.  C The government should boost a recessionary economy by borrowing and spending more.  D The government should reduce taxes during a recession. |
| A B C D | **4.** | What type of tax is the gasoline tax?  A progressive tax  B proportional tax  C regressive tax  D retrograde tax |
| A B C D | **5.** | What type of tax is the personal income tax in the United States?  A progressive tax  B proportional tax  C regressive tax  D retrograde tax |
| A B C D | **6.** | What is the greatest source of federal tax revenue?  A personal income taxes  B Social Security taxes  C corporation taxes  D excise taxes |
| A B C D | **7.** | What is the largest expenditure in the federal budget?  A national defense  B interest on the national debt  C education  D income-security programs |
| A B C D | **8.** | What is the basic premise of Keynesian economics?  A Financial markets depend on governmental spending to increase their reserves.  B Peaks and troughs in the business cycle can be reduced by regulating the demand for the nation's production.  C A small federal budget hurts the economy.  D Regressive taxes are unfair. |
| A B C D | **9.** | What are the easiest steps of fiscal policy for politicians to enact?  A increase spending; decrease taxes  B decrease spending; decrease taxes  C increase spending; increase taxes  D decrease spending; increase taxes |
| A B C D | **10.** | According to monetarists, who is responsible for inflation?  A business firms spending too much money  B financial markets lending too much money  C the Federal Reserve Bank creating too much money  D consumers not spending enough |
| A B C D | **11.** | Which group benefits the most from inflation?  A retired pensioners  B savers  C consumers  D borrowers |
| A B C D | **12.** | Inflation is a sustained rise in the average  A price level.  B wage.  C gross domestic product.  D base period. |
| A B C D | **13.** | What type of unemployment results from a recession?  A frictional  B seasonal  C cyclical  D structural |
| A B C D | **14.** | What type of unemployment, which requires extra workers during planting and harvest, is common in agricultural countries?  A frictional  B seasonal  C cyclical  D structural |
| A B C D | **15.** | What type of unemployment results when a worker seeks a better job?  A frictional  B seasonal  C cyclical  D structural |
| A B C D | **16.** | How does the psychological theory explain the business cycle?  A Agricultural output declines when sunspots increase.  B People cut back spending at the first hint of economic decline.  C Businesses expand when the money supply grows rapidly, but the economy falls once the growth stops.  D God blesses a nation when it turns to Him, and He curses it when the people rebel against Him. |
| A B C D | **17.** | Which theory blames recession on changes in the weather and agricultural yields?  A monetary theory  B psychological theory  C sunspot theory  D nuclear theory |
| A B C D | **18.** | What increases during a recessionary phase in the business cycle?  A GDP  B available jobs  C unemployment  D national income |
| A B C D | **19.** | If prices suddenly begin to fall rapidly, which phase of the economic cycle is the nation probably entering?  A expansion  B peak  C recession  D trough |
| A B C D | **20.** | During what phase of the business cycle does unemployment reach its lowest point?  A expansion  B peak  C recession  D trough |
| A B C D | **21.** | During what phase of the business cycle does the expansion of a nation's GDP halt?  A peak  B recession  C trough  D depression |
| A B C D | **22.** | What decreases during an expansion phase in the business cycle?  A GDP  B available jobs  C unemployment  D national income |
| A B C D | **23.** | During what phase of the business cycle does a nation's GDP rapidly rise?  A expansion  B peak  C recession  D depression |
| A B C D | **24.** | Who hurts the most from protectionist legislation?  A noncompetitive domestic industries  B competitive domestic industries  C domestic consumers  D foreign consumers |
| A B C D | **25.** | Who hurts the most from free trade?  A noncompetitive domestic industries  B competitive domestic industries  C domestic consumers  D foreign consumers |
| A B C D | **26.** | What is the true measure of a nation's wealth?  A nominal GDP  B real GDP  C GDPI  D per capita real GDP |
| A B C D | **27.** | Which of the following complications with nominal GDP is solved by per capita GDP?  A unrecorded transactions  B counterproductive items  C inflation  D changes in population |
| A B C D | **28.** | Which of the following items is included in the GDP?  A new factories  B do-it-yourself home improvement  C bartered services  D the environmental impact of industries |
| A B C D | **29.** | Which is *not* one of the basic economic groups used to estimate GDP?  A households  B government  C foreign buyers  D financial markets |
| A B C D | **30.** | The gross domestic product is the total dollar value of all \_\_\_\_ produced in one year.  A final goods and services  B intermediate goods and services  C intermediate and final goods and services  D household consumption expenditures |